EnergyAction

Financial Results Half Year FY18

Ivan Slavich
Chief Executive Officer
Energy Action Limited

Michael Fahey
Chief Operating Officer & Chief Financial Officer
Energy Action Limited

Half Year FY18 Results Agenda

Energy Action

1.	Results Highlights	Ivan Slavich
2.	Group Financials	Michael Fahey
3.	Operational Performance	Ivan Slavich
4.	Balance of Year Priorities	Ivan Slavich

FY18 Half Year Results Highlights

Revenue, Profits and Operating Cash Flows growing strongly

> **Revenue of $16.3 million, up 4% vs 1H FY17**
  – Growth driven by Procurement +38% and PAS +8%

> **Operating NPAT of $1.02m, up 27% vs 1H FY17**
  – Revenue growth combined with strong cost management limiting cost growth to 3% resulting in solid NPAT growth

> **Operating Cash Flows before interest & tax items of $2.1 million, up approximately $2 million vs 1H FY17**
  – EBITDA to operating cash conversion of 88%

EnergyAction

Key Operational Achievements

Focus on sales and marketing effectiveness and operational improvements

- Improved sales process execution, resulting in an uplift in procurement orders
- The strategy to focus on regional work has led to increased sales activity in areas such as the ACT and south coast NSW
- Review of product and service pricing to ensure competitiveness and profitability
- Strengthened market position through our client focused strategy – combining expertise across the business to deliver a fully integrated energy management solution
- Increased profile of the organisation through social and traditional media channels - uplift of inbound sales enquiries and stronger brand awareness

EnergyAction

Key Operational Achievements (cont'd)

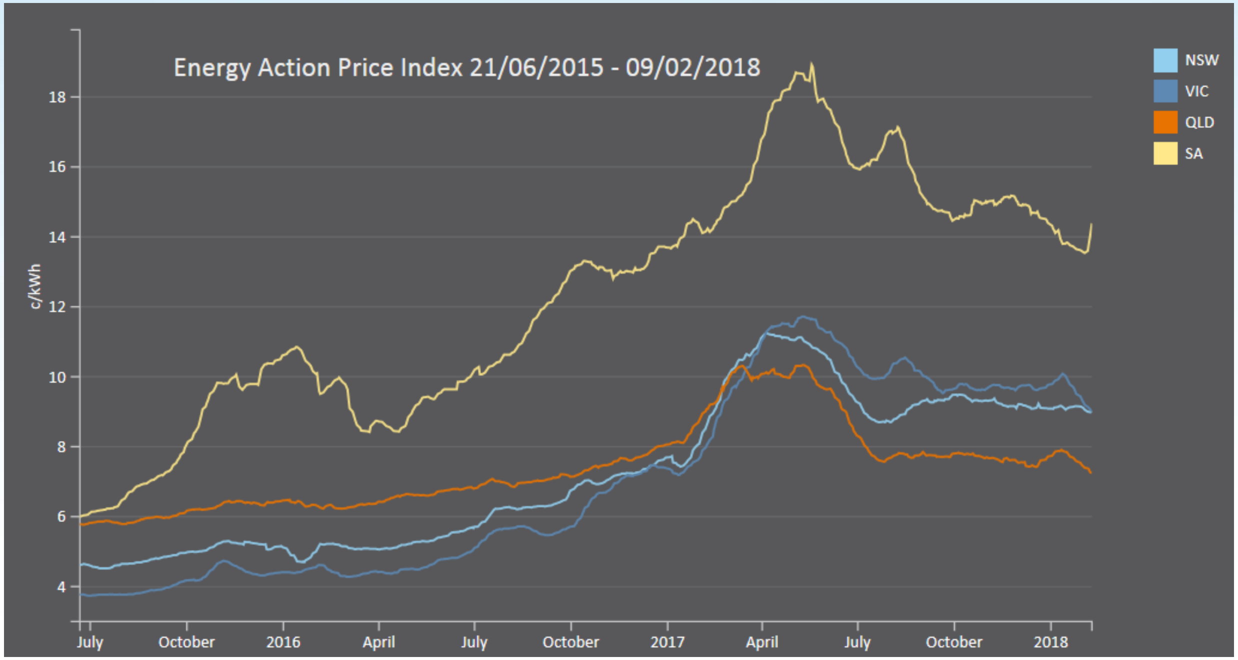
Focus on sales and marketing effectiveness and operational improvements

- Continued work with Government agencies on policy work and management of higher energy prices, including appointment to the Industry Energy Support Stream panel in Victoria;
- Greater efficiencies through Investment in IT systems to further streamline and improve our backend processes;
- Outsourcing repetitive and low value activities to reduce cost to serve;
- Establishing relationships with Solar PV and LED specialist businesses to provide supply and install activities; and,
- Increased involvement in the Power Purchase Agreement market.

EnergyAction

Energy Action Price Index (EAPI)

Prices have stabilised at an elevated level



- > Dramatic price increases across the NEM have abated but without sign of any meaningful decline as yet.
- > C&I customers experiencing massive price shocks upon termination of contracts signed in 2014 and 2015 when prices were at record lows.
- > Typical increase on commodity electricity for customers entering into new contracts ~ 100%.

- > Why have prices stopped increasing?
  - – Rapidly expanding pipeline of renewables projects for delivery over next 2 years (more supply).
  - – More gas becoming available for generation (Domestic Gas Security Mechanism).
- > Why are prices not falling?
  - – System security deteriorating.
  - – Domestic Gas Security Mechanism does not directly regulate gas prices, which remain high.

EnergyAction

Impact of energy market volatility and higher prices

Heightened awareness driving client demand

- As energy costs and consumption continue to be discussed at executive and board level – Energy Action increasingly well placed to support management of price risk and supply
- Implementation of client focused strategy leveraging deep expertise across the group better delivering to a need amongst clients for integrated energy management
- As a result of the sustained higher price environment, auction volumes and related contract pricing has continued to increase
- The demand for alternative solutions to traditional generation infrastructure continues to drive demand in the corporate PPA market
- Growth in the embedded network business as clients seek longer term generation and consumption efficiency solutions

Group Financial Results

Financial Highlights

Solid improvement in Revenues, NPAT and Operating Cash Flows

Positives

- Solid revenue growth, especially in Procurement
- Significant improvement in sales and marketing processes and execution
- EBITDA to Operating cash flow conversion significantly improved to 88%, underpinning result
- Cost tightly managed and lower than revenue growth
- Increased media and external profile generating more business and leads

Challenges

- Decline in Contract Management & Environmental Reporting (CMER) revenues and sites under management
  - Loss of a government bureau services contract
  - Sales, marketing and product development focus to arrest the decline
- Core systems upgrade taking longer than planned
  - Sourced external project management support to drive this project to completion

Operating NPAT OF $1.0M

Revenue growth of 4% translating to NPAT growth of 27%

P&L	1H FY18	1H FY17	% Variance
Revenue	16,259,736	15,596,663	4%
COGS	2,537,412	2,530,044	-0%
Gross Margin	13,722,324	13,066,619	5%
Opex - excl D&A	11,318,458	10,941,526	-3%
EBITDA	2,403,866	2,125,094	13%
Depn & Amortisation	742,373	740,711	-0%
EBIT	1,661,493	1,384,383	20%
Financing Costs	272,712	266,510	-2%
Profit before tax	1,388,782	1,117,873	24%
Tax expense	367,093	315,524	-16%
Underlying NPAT	1,021,688	802,348	27%
	-	-	0%
Significant items:	-	-	0%
Deferred consideration	-	392,811	-100%
M&A & restructuring costs	-	165,000	-100%
Tax Expense on Significant	-	(49,500)	100%
Total Significant items	-	508,311	-100%
Statutory Profit after tax	1,021,688	294,036	247%

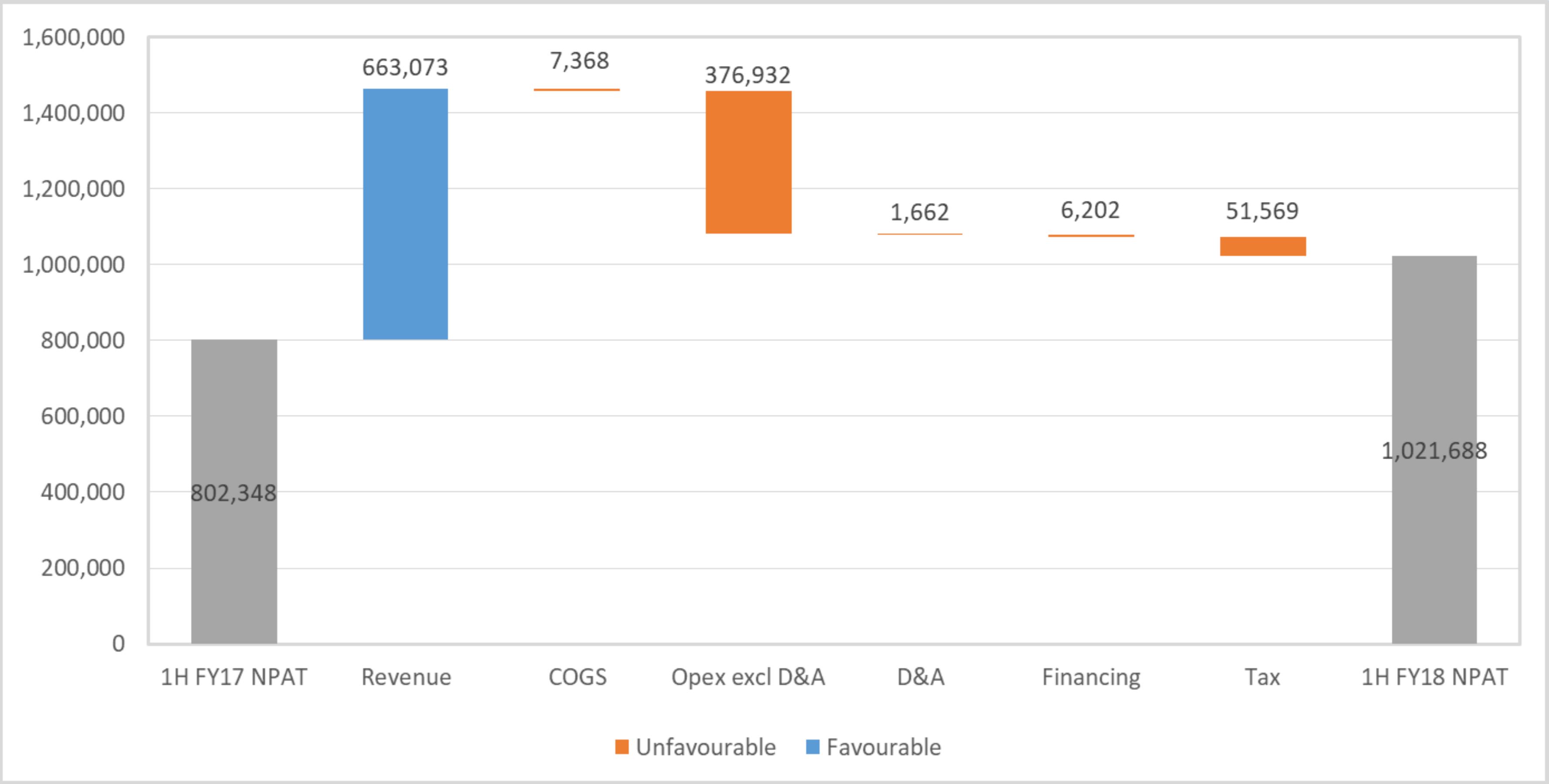
Growth in Procurement and PAS offset by lower CMER revenues

Margin growth translating to bottom line growth

EnergyAction

Operating Profit drivers

Profitable top line growth translating to NPAT



Strong Operating Cash Flow

EBITDA to Operating Cash Flow conversion of 88% underpins results

Operation Cash Flow	1H FY18	1H FY17
Operating EBITDA	2,403,865	2,125,093
Share based payments	9,152	(186,376)
Trade debtors	724,659	(1,344,644)
Other debtors	(483,463)	289,997
Trade creditors	318,386	282,131
Other creditors	(770,185)	(1,001,454)
Other working capital movements	(97,966)	(4,139)
Working Capital movements	(299,417)	(1,964,485)
Operating Cash Flow before Interest & Tax	**2,104,448**	**160,608**
Net Financing costs	(227,682)	(206,185)
Income taxes paid	(519,713)	(660,187)
Operating Cash Flow	**1,357,053**	**(705,764)**
Cash flow related to Sig Items	-	(3,307,000)
Statutory net cash from operating activities	**1,357,053**	**(4,012,764)**

- Operating Cash flow 88% of EBITDA, circa $2 million higher than prior period

Growth lead by increased procurement revenues

Higher energy prices and increased auction volumes driving growth

	1H FY18	1H FY17	% Variance
Procurement	5,244,131	3,791,045	38%
Contract Mgmt & Energy Reporting	7,785,552	8,613,536	-10%
Projects & Advisory Services	3,228,647	2,979,225	8%
Other Revenue	1,406	212,857	-99%
Total Revenue	**16,259,736**	**15,596,663**	**4%**

- Procurement revenues grew 38%, driven by a 21% increase in the number of Auctions performed to 854 (up from 704 in the pcp) and an increase in the average $/MWh of 24% to $95.77. In line with our contracting guidance, contract duration increased to 26.5 months (up from 19 months on the pcp). Solid growth was also recorded in Structure Product and tender revenues.

- CMER revenue declined by 10% with a decline in sites under management. This remains a very competitive segment, and revenues were impacted by the loss of a government contract for bureau services.

- PAS revenues increased vs H1 FY17 by 8% with growth predominantly in the consulting operations.

EnergyAction

Debt structure and key financial ratios

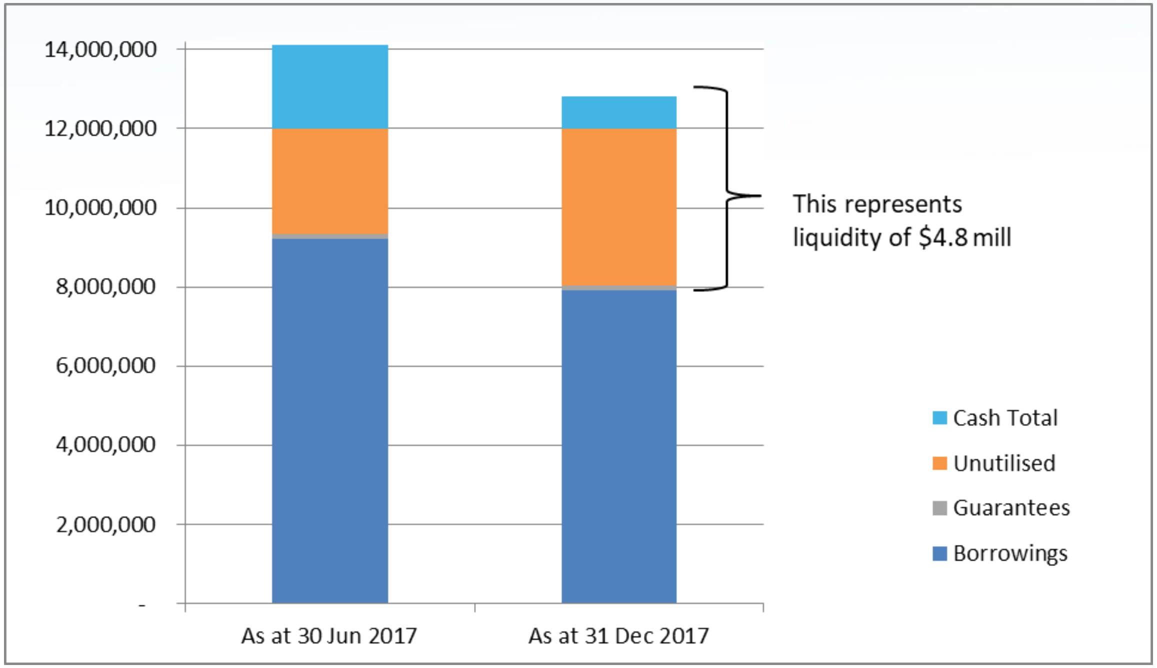
Available facilities of $4.8 million

EAX has a 5 year, $12 million multi-option facility agreement expiring October 2019

- Funds can be provided under the facility as loans, bank guarantees or as letters of credit. As at 31 December 2017, the Company had utilised $8.03 million of the facility comprising a loan of $7.9 million and bank guarantees principally in relation to rental properties of $128,620.

- The Group had $0.8 million of cash at bank at 31 December 2017, and total undrawn facilities and cash of approximately $4.8 million

Financial covenant metrics	Threshold	Dec 17	Dec 16
Interest cover ratio (EBITDA : Interest)	Min 3.0	12.04	11.6
Gearing ratio (Total Debt : EBITDA)	Max 2.0	1.26	1.7



Available facilities and cash on hand of approximately $4.8 million

EnergyAction

Operational Performance

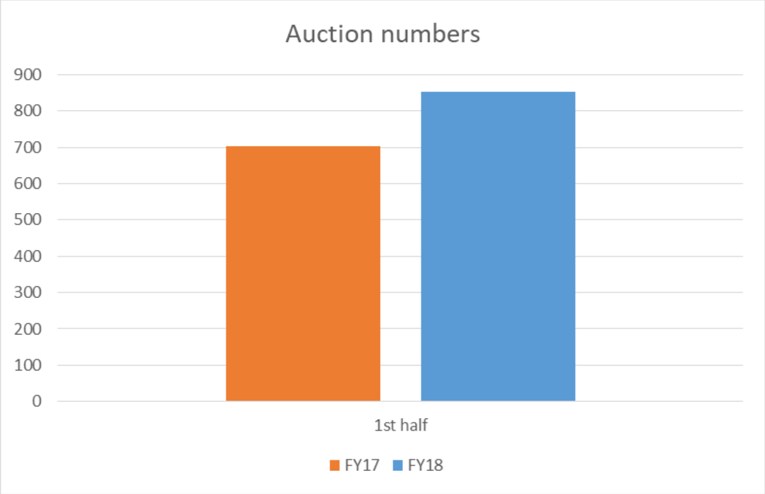
Energy Procurement

Higher auction volumes and increased contract prices

- Energy Action provides a complete range of procurement options across four distinct market segments:
  - Structured Products
  - RFP's or tenders
  - Tariff (SME)
  - Auctions
- Solutions are tailored to the client's requirements.

	1H FY18	1H FY17	Variance
No of Auctions[1]	854	704	21%
Average contract duration	26.53mth	18.98mth	7.6 mth
TWhs procured via Auction[2]	0.98	1.05	-7%
Average $/MWh	$95.77	$77.34	24%
No. of C&I electricity tenders	97	100	-3%
No. of C&I gas tenders	50	73	-32%

1. Contracted auctions.
2. Annualised figure based on energy only component of bill, excludes network and other charges



- Strong growth in Auction numbers
  - 1st half +21% vs FY17
- Growth boosted by 24% higher $/MWh
- Auction TWh's reduced with several large clients switching to RFP

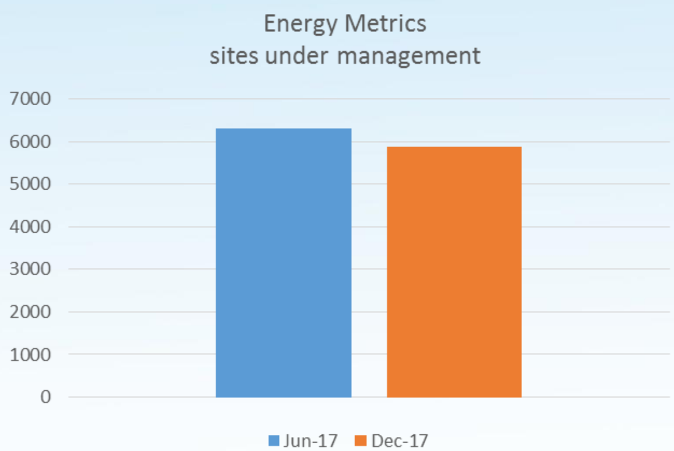
Contract Management & Environmental Reporting

EnergyManager EnergyBureau & environmental reporting EnergyMetrics

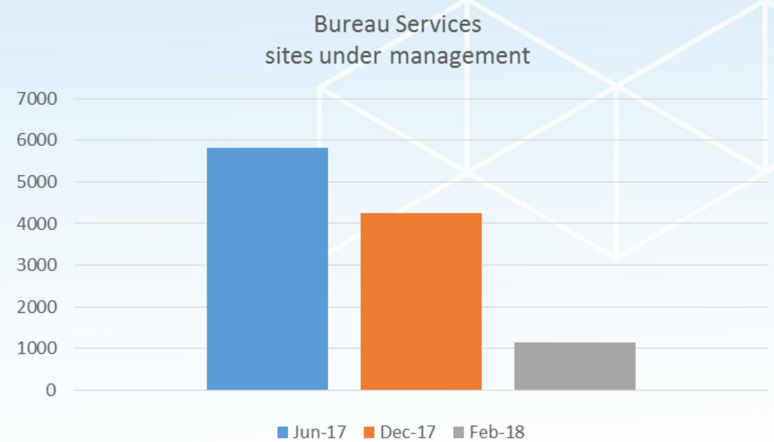
- Over $4.3 million of potential bill validation and network tariff review savings to clients generated in H1FY18;
- Over $1.5 million in a single billing error discovered for a client in August 2017;
- FY18 focus on improving client value delivery and insights from CMER services, enabling usage and cost reductions; and
- Platform upgrade and enhancements being undertaken to enable future innovation and lower cost to serve.

EnergyAction

Contract Management & Environmental Reporting
Bureau losses and new client acquisitions



- Higher margin, comprehensive service offering
- EAX software
- Elec C&I sites



- Lower margin, reporting service
- 3rd party software
- Loss of two large multi-site clients Q417 and Q1 18
- Includes SME sites

- Focus on renewing and acquiring large corporate clients with a dedicated large market sales and service delivery team
- Three new large corporate clients acquired during the year for multi-year contracts with a combination of procurement, CMER and PAS services being provided

Key Operational Challenge

Contract Management and Reporting Services

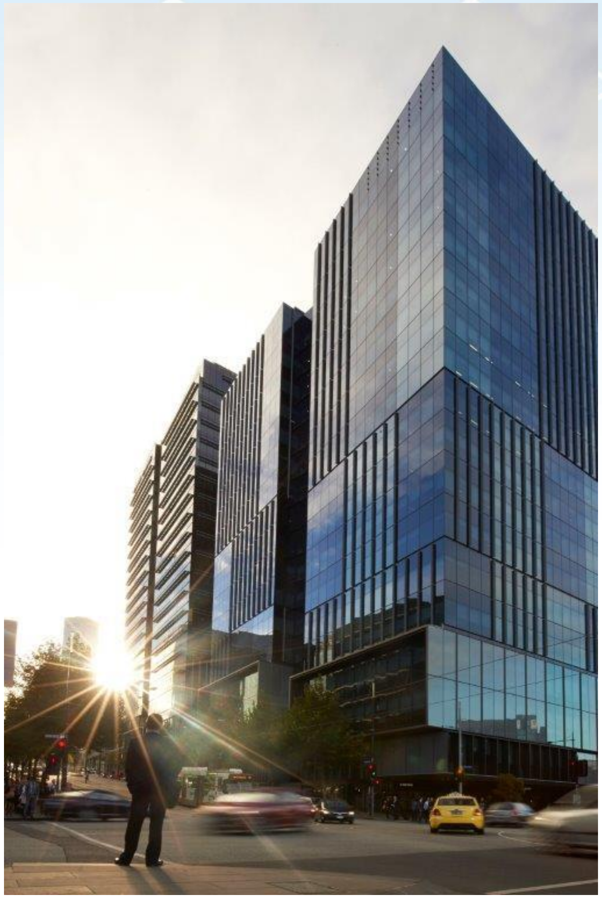
- EAX provides contract management and reporting services utilising both in-house developed (Metrics) and third party software for more complex clients;
- The number of sites under management continues to decline due to competition from both retailers and software service providers;
- In order to address this decline, the following initiatives are being undertaken:-
  - Enhanced Sales and Marketing enablement;
  - Developing New Offers for clients to improve stickiness and acquisition; and
  - Further developing our in house software and where external software is used, ensure that the software is exclusive to EAX and conditional upon using EAX services.

EnergyAction

Projects & Advisory Services

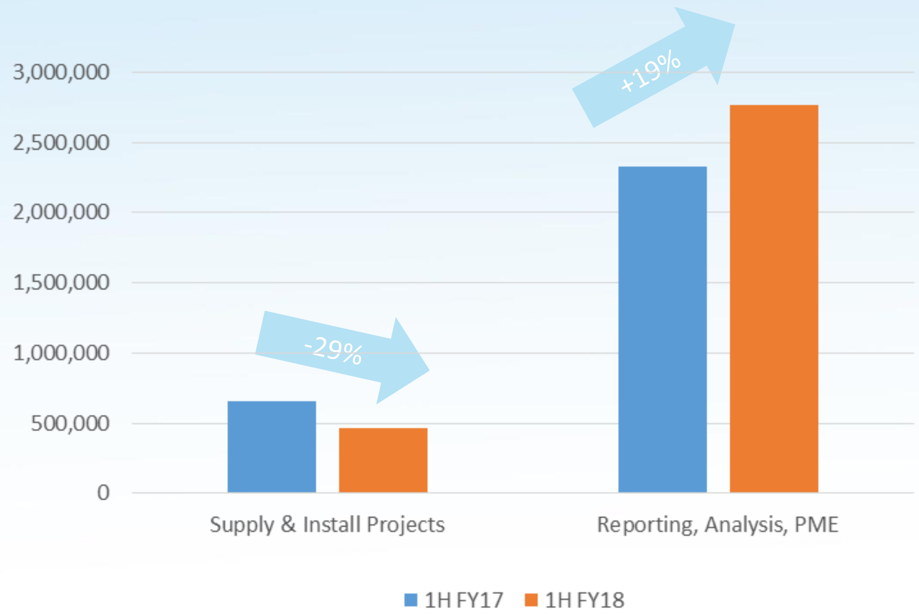
Project Highlights

- 747 Collins Street, Melbourne achieved 6 Star NABERS rating (using the EAX OptEEmise offering) and achieved several awards including:
  - Winner, Association of Energy Engineers (USA) Oceania Region Energy Project of the Year
  - Winner, CIBSE International project of the year
  - Finalist, Victorian Premier Sustainability award
- Completed the review and upgrade of the energy efficiency sections of the Building Codes of Australia – recognising EAX's thought leadership in this area
- EAX's building automated fault detection offering (OptEEmise) off to a successful start with 11 sites now operational



Projects & Advisory Services

Focus on higher margin consulting revenues grew 19%



- Lower margin supply and install projects now largely being delivered by partner organisations, which generate a fee for Energy Action
- Focus on higher margin consulting project revenues

Balance of Year Priorities

Our top priorities for the balance of FY18

Continued focus on improving customer service and sales & marketing effectiveness

- Gain market penetration via improved sales & marketing execution;
- Continue to develop a fully integrated client management process covering all EAX services;
- Digitalisation of routine processes to streamline the client journey;
- Develop & exploit regional opportunities;
- Create a winning culture;
- Utilise surplus operating cash flow to reduce debt;
- Optimise pricing for competitiveness and profitability; and
- Accelerate systems refresh for go-live early in the new year.

EnergyAction

Connect with us

Twitter: @EnergyActionAUS

LinkedIn: www.linkedin.com/company/energy-action

Email: info@energyaction.com.au

Web: www.energyaction.com.au

National number: 1300 553 551

Ivan Slavich
Chief Executive Officer
02 9633 6476
Ivan.slavich@energyaction.com.au

Michael Fahey
Chief Financial Officer
02 9633 6405
michael.fahey@energyaction.com.au

Disclaimer

This presentation has been prepared by Energy Action Limited ABN: 90 137 363 636.

This presentation is not intended as an offer or solicitation with respect to the purchase or sale of any security nor does it constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised or to whom it is unlawful to make such solicitation or offer.

Any investment decision with respect to any transaction involving Energy Action Limited should be made based Solely upon any offering documents, if applicable, and appropriate due diligence by the prospective investor.

We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Past performance is not a reliable indicator of future performance. This presentation may include forward-looking statements that represent opinions, estimates and projections, which may not be realised. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Energy Action Limited. Actual results may vary from any forecasts and any variation may be materially positive or negative. This presentation includes forward-looking statements that represent opinions, estimates and projections, which may not be realised. We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

All information contained herein is current as at 30 June 2017 unless otherwise stated.

EnergyAction

Appendix

Balance Sheet

Balance Sheet As at - Dec-2017		
	31/12/2017	31/12/2016
Current Assets		
Cash and cash equivalents	810,711	2,105,780
Debtors	5,267,754	5,992,413
Income tax Receivable	204,707	877
Other Assets	2,926,903	2,221,521
Total Current Assets	**9,210,075**	**10,320,591**
Non Current Assets		
Trade and Other Receivables	91,358	91,358
Property, plant and equipment	675,949	744,273
Other Assets non-current	368,669	549,478
Software Development	3,746,263	3,312,004
Goodwill at cost - Ward, Exergy & E Advice	9,944,796	9,944,796
Customer relationships	1,286,632	1,406,174
Total Non-Current Assets	**16,113,667**	**16,048,083**
Total Assets	**25,323,742**	**26,368,674**
Current Liabilities		
Trade Creditors and other payables	2,576,838	2,717,042
Short term Provisions	1,003,091	1,374,146
Total Current Liabilities	**3,579,929**	**4,091,188**
Non Current Liability		
Employee Entitlements - Non current	350,355	320,180
Loans and Borrowings	7,756,115	9,015,005
Deferred tax liability	423,551	372,339
Total Non Current Liabilities	**8,530,021**	**9,707,524**
Total Liabilities	**12,109,950**	**13,798,712**
Net Assets	**13,213,792**	**12,569,962**
Equity		
Issued capital	6,537,906	6,537,906
Share based payments reserve	271,920	262,768
Retained earnings	6,489,220	5,830,890
Interest Swap Reserve	26,848	24,165
Foreign currency translation reserve	58,406	37,437
Total Equity	**13,213,792**	**12,569,962**

EnergyAction

Statutory to Operating Profit reconciliation

$	NPAT			EBITDA		
	1H FY18	1H FY17	Variance	1H FY18	1H FY17	Variance
Statutory net Profit after tax / EBITDA	**1,021,688**	**294,037**	**247%**	**2,403,866**	**1,567,282**	**53%**
Add back Significant Items after tax :						
Deferred consideration on acquisitions*	-	392,811	100%	-	392,811	100%
Restructuring and M&A costs**	-	115,500	100%	-	165,000	100%
Operating net Profit after tax / EBITDA	**1,021,688**	**802,348**	**27%**	**2,403,866**	**2,125,093**	13%

Statutory net profit after tax of $1,021,688 for the half year ended 31 December 2017 compared to a statutory net profit after tax of $294,037 for prior corresponding period. There were no Significant Items in FY18, and the Operating profit after tax was $1,021,688 compared to $802,348 for the previous corresponding period (pcp) an increase of 27%.

* Deferred consideration in FY17 related to the acquisition of Energy Advice that is required to be expensed for accounting purposes
** Costs associated with restructuring including redundancies. This amount is net of tax

Operating Profit is reported to give information to shareholders that provides a greater understanding of operating performance by removing Significant Items and therefore facilitating a more representative comparison of performance between financial periods.

EnergyAction

Energy Action Executive Team

Ivan Slavich
Chief Executive Officer

Stephen Dwayhe
General Manager – Energy Market Solutions

Michael Fahey
Chief Operating Officer & CFO

Stephen Flannigan
General Manager – Business Services

Paul Bannister
Innovation & Sustainability Director

Caoimhin Ardren
Projects & Advisory Services Director